

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of
Southern California Edison Company for
Approval of its 2017 Transportation
Electrification Proposals.

Application 17-01-021
(Filed January 20, 2017)

**PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES
TO THE APPLICATION OF SOUTHERN CALIFORNIA EDISON
COMPANY (U 338-E) FOR APPROVAL OF ITS 2017
TRANSPORTATION ELECTRIFICATION PROPOSALS**

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I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission’s Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) protests Southern California Edison Company’s (SCE) Application (A.) 17-01-021. SCE’s Application seeks Commission authorization to establish and implement six “priority review” projects and two “standard review” programs to accelerate transportation electrification (TE).¹

SCE’s Application was filed on January 20, 2017 and it appeared on the Commission’s Daily Calendar on January 27, 2017. The original protest deadline of February 27, 2017 was extended to March 6, 2017 pursuant to the February 7, 2017 Chief Administrative Law Judge’s (ALJ) Ruling Regarding Preliminary Determination of Category and Assignment, Setting of Protest and Response Deadlines, and Noticing of a Prehearing Conference for All Three Applications. This protest is timely filed pursuant to that ruling.

¹ The Assigned Commission’s Ruling (ACR) in R.13-11-007 set forth guidelines for priority review projects, including that the projects be non-controversial in nature, limited to no more than \$4 million, and be less than one year in duration. ACR, pp. 31-32 (Sept. 14, 2016). All other proposed projects that do not meet these criteria will be reviewed using the normal timelines for application review. *Id.* at 32.

II. BACKGROUND

On September 14, 2016, the Assigned Commissioner's Ruling Regarding the Filing of the Transportation Electrification Applications Pursuant to Senate Bill 350 (ACR) required each of the three investor-owned utilities (IOUs) to submit their first TE applications by January 20, 2017. Each IOU timely submitted its TE application to the California Public Utilities Commission (CPUC or Commission).

The ACR outlined the minimum statutory requirements for the applications, including the TE provisions of Senate Bill (SB) 350² and sections of the California Public Utilities Code defining ratepayer interest.³ The ACR also listed regulatory requirements such as addressing the multiple goals of widespread TE, seeking to leverage non-utility funding, and providing anonymous and aggregated data for evaluation, among others.⁴ Additionally, the ACR provided guidelines for priority review projects.⁵ ORA evaluated SCE's Application within this framework and, more broadly, for the reasonableness of SCE's requests.

III. SUMMARY OF ORA'S PROTEST

ORA has identified preliminary issues regarding SCE's proposed TE programs. This list is not exhaustive and ORA may identify additional issues that require further discovery and analysis as the proceeding develops. Below is a summary of issues ORA believes require further review:

- Whether SCE's request to exempt its TE programs from a standard of review that includes after-the-fact reasonableness review is appropriate;
- SCE's proposal does not adequately explain the methodology nor provide sufficient evidence linking the forecast of electrification expansion in the market segments to specific program elements of the \$554 million cost estimate for the Medium- and Heavy-Duty Vehicle Charging Infrastructure Program;

² Senate Bill 350 (De León, 2015) Chapter 547, Statutes of 2015.

³ Pub. Util. Code § 740.3 and § 740.8.

⁴ ACR, pp. 15-16.

⁵ ACR, pp. 31-33.

- SCE’s request of \$554 million in ratepayer funds does not demonstrate the correlation between the presence of charging stations and EV adoption by consumers; and
- SCE’s proposal does not provide evidentiary support to validate assertions that its New Electric Vehicles Rate Design Proposal would:
 - Address revenue shortfalls to maintain rates that are “revenue-neutral,”
 - Provide a positive contribution to margin using the EV time of use (TOU) rates,⁶ and
 - Effectively encourage EV adoption and load shifting using the EV TOU rates.

IV. DISCUSSION

A. Whether SCE’s TE Programs SHOULD be Exempt from After-the-Fact Reasonableness Review.

SCE proposes that its priority review projects and standard review programs be exempt from after-the-fact reasonableness review if the actual incurred costs are (1) consistent with the adopted scope of activities, and (2) within costs levels authorized by the Commission.⁷ SCE explains that if these conditions are not met, then “SCE would file an application or other appropriate regulatory procedural mechanism to request approval of the activities and recovery of the additional costs through a traditional after-the-fact reasonableness review.”⁸ An after-the-fact reasonableness review is a standard of review that allows the Commission and interested stakeholders to assess whether ratepayer funds were spent in a cost-effective manner and in a manner reflective of the goals of the program. Additionally, it allows the Commission to review and stakeholders to submit evidence into the public record regarding the utility’s spending to promote transparency and accountability.

Here, SCE has proposed a compliance standard of review, which would allow the Commission and stakeholders an opportunity to review costs only if SCE exceeds

⁶ Contribution to margin refers to operating revenues minus operating costs.

⁷ SCE SB 350 Transportation Electrification Application (A.) 17-01-021, p. 9.

⁸ SCE SB 350 Transportation Electrification Prepared Testimony for A.17-01-021 (SCE Testimony), p. 102.

authorized limits or if costs were not properly recorded for accounting purposes. SCE's proposal requires the Commission to assume that SCE will responsibly spend over \$500 million ratepayer dollars, without any after-the-fact review by the Commission as to whether these funds were prudently spent. However, there are potentially significant risks that should be considered with this proposal. TE is a nascent market with uncertainties and risks related to stranded costs and there should be careful consideration of the usefulness of data collected from the pilot programs. Also, consideration should be given as to whether an after-the-fact reasonableness review complies with Public Utilities Code section 740.12(b) and the ACR.

1. Whether waiver of after-the-fact reasonableness review would hinder effective oversight.

Waiving after-the-fact reasonableness review would institute a compliance standard of review, which may not be appropriate for proceedings dealing with previously untested policies or technology. The compliance standard of review is applied in cases where costs are routine, well-established, and non-controversial. For example, the costs associated with short-term and frequent procurement transactions preapproved in Bundled Procurement Plans have no after-the-fact reasonableness review because they “largely follow existing policies rather than making new policies.”² In comparison, the review for innovative programs requires a more rigorous and holistic approach, for the purposes of gathering data and applying lessons learned to future actions. Notably, the recently approved EV pilots included after-the-fact reasonableness review.¹⁰

Here, SCE is requesting approval of three “pilots aimed at accelerating light-duty EV adoption.”¹¹ Pilot programs are experimental in nature, typically small-scale projects

² See D.15-10-031, p. 6 (Decision Approving 2014 BPPs) (Oct. 22, 2015); *see also id.* at p. 11 (“The review of the utilities’ conformed BPPs can reasonably be considered to be ministerial as it would not result in changes to existing policies”).

¹⁰ See D.16-12-065, pp. 62-64 (authorizing PG&E to establish a one-way balancing account for its Charge Smart and Save program); D.16-01-023, pp. 27; D.16-01-045, pp. 158-59 (approving a one-way balancing account and memorandum account for SDG&E’s VGI Pilot Program).

¹¹ SCE Testimony, p. 1.

to accumulate practical experience and data that “reduce costs and develop policy incentives”¹² for future applications while minimizing financial risk. Further, all of SCE’s seven proposed programs target segments of the transportation sector that “are in various stages of technological development,”¹³ especially the heavy-duty sector where technologies “are [in the] very early stage and it is unclear which technologies will be adopted on a large scale.”¹⁴ Even the proposed new rates are described as “innovative” and “depart from current practice.”¹⁵

Since the Application targets new or underdeveloped markets, as SCE acknowledges, ORA recommends the Commission consider whether all priority review and standard review projects undergo after-the-fact reasonableness review.

2. The ACR requires accountability measures to track program progress and performance.

The ACR lists the minimum statutory requirements that TE applications must meet. Among these requirements is that, “[c]onsistent with Pub. Util. Code § 740.12(b), each of the proposed TE projects and investments shall include performance accountability measures. Such measures are needed in order to track the progress of the proposed projects and investments in order to ensure that they are timely contributing to the adoption of TE.”¹⁶ Elimination of after-the-fact reasonableness review seems inconsistent with section 740.12(b) because the Commission must be able to hold SCE accountable for the performance of its TE projects and track progress of these projects. While compliance review is appropriate in some contexts to avoid burdensome review of routine transactions, as explained above, doing so in this case would divest the Commission of its ability to meaningfully track “the progress of the proposed projects and investments in order to ensure that they are timely contributing to the adoption of

¹² SCE Testimony, p. 18.

¹³ SCE Testimony, p. 18.

¹⁴ SCE Testimony, p. 23.

¹⁵ SCE Testimony, p. 76.

¹⁶ ACR, p. 15.

TE.”¹⁷ ORA, therefore, recommends the Commission consider the need for after-the-fact reasonableness review of SCE’s TE program investments.

B. The Application Does Not Provide Sufficient Detail Explaining the \$554 million Cost Estimate of the Medium- and Heavy-Duty Vehicle Charging Infrastructure Program.

SCE does not adequately support its estimated program costs at \$553.82 million. In its testimony, SCE describes in qualitative terms the purpose, utility, and administration of the Medium- and Heavy-Duty Vehicle Charging Infrastructure Program (MD/HD Program). For its quantitative analysis, SCE breaks down costs into broad categories throughout the five years of program implementation in Table III-3 of its testimony.¹⁸ In addition, Appendix D of the testimony illustrates how SCE forecasted the expansion of electrified transportation in the medium- and heavy-duty market segments.¹⁹ However, SCE provided little to no explanation of how its forecasted growth of the medium- and heavy-duty market segments translates into its requested program costs. While the details of the MD/HD Program are largely modeled after SCE’s light-duty Charge Ready Pilot Program (CRPP), it cannot be assumed that costs will be analogous for infrastructure or chargers when there is a wide range of technological development in question and “charging equipment in the non-light duty segment needs to be able to deliver electricity up to 75 times the rate of a normal light-duty vehicle.”²⁰ It is unclear, for example, how SCE calculated its forecasted costs on a per-site or per-port basis, the size of rebates participants are expected to receive, or how the New EV Rate Design Proposal²¹ was factored into the larger picture of participating customer costs and incentives.

¹⁷ ACR, p. 15.

¹⁸ SCE Testimony p. 58

¹⁹ SCE Testimony Appendix D-5.

²⁰ SCE Testimony p. 52.

²¹ SCE Testimony pp. 60-83.

Thus, SCE should explain the derivation of the costs listed in Table III-3 of its application, as well as the methodology used and evidence linking the forecast of electrification expansion in the market segments to the \$554 million cost estimate for the MD/HD Program. SCE should also explain the itemized costs of specific program elements contributing to Utility Costs and Site Costs, which make up the great majority of costs listed in Table III-3, and the justifications for these costs. This information is necessary for parties, including ORA, to evaluate the reasonableness of SCE's forecasted costs for its TE program.

C. The Impact Of Charging Station Installations On Ev Adoption Has Not Been Sufficiently Demonstrated To Justify A Ratepayer Funded Investment Of \$554 Million.

The \$554 million request for ratepayer funds seems high given the current uncertainty regarding a correlation between EV charging installations and EV adoption. The MD/HD Program has many similarities to CRPP, SCE's EV charging infrastructure pilot for light-duty vehicles, which has had a positive reception from stakeholders and participants. But CRPP is a pilot program itself, and is still in such an early stage that the program's first operational charger installation is not expected until March 2017.²² ORA acknowledges the efforts SCE has made to pursue California's ambitious transportation electrification goals. However, it seems premature at this time to presume that the existence of charging infrastructure will definitively result in widespread EV adoption, or that EV adoption will progress at such a pace as to require this magnitude of a commitment of ratepayer funds. ORA, therefore, would like to further evaluate these estimated costs for the program.

D. SCE's Assertions About the New EV Rate Design Proposal Require Verification.

Several claims about the proposed EV rate design are not fully supported by SCE's testimony. First, SCE asserts that the rates "are designed on a 'revenue-neutral'

²² CRPP Advisory Board Meeting, February 9, 2017.

basis,”²³ but then does not address how customer self-selection of rates would not create a revenue shortfall. Second, SCE asserts, without supplying supporting testimony demonstrating the impact of the specific proposed rates, that the new EV rate design will provide a positive contribution to margin (CTM) and create downward pressure on rates for customers outside the EV rate group.²⁴

ORA intends to request comprehensive data on the proposed EV rates through discovery in order to evaluate (1) potential revenue shortfalls and how they should be recovered, (2) the possibility of a positive CTM, and (3) whether the rates in general will accomplish SCE’s stated goals to encourage transportation electrification and load shifting.

E. There Should Be A Consistent Communication Standard Between The Evs And The Charging Stations.

As the ACR notes, there is currently no consensus on whether the Commission needs to adopt one or more vehicle-grid integration (VGI) standards.²⁵ To further develop the record on this issue, the ACR requires the IOUs to state in their applications “how their programs will comply with the ISO/IEC [International Organization for Standardization and International Electrotechnical Commission’s] 15118 Standard or must provide justification on why alternative approaches sufficiently meet code requirements and policy objectives” provided in the ACR.²⁶

SCE’s Application supports the formation of a working group in 2017 “to develop high-level criteria, analyze the possible end-to-end communications solutions based on these criteria, develop technical specifications as needed, and make recommendations.”²⁷ ORA suggests that VGI Communication Standards should be addressed concurrently with this proceeding and in conjunction with the other TE applications filed January 20,

²³ SCE Testimony, p. 61.

²⁴ SCE Testimony, p. 78.

²⁵ ACR, p. 28.

²⁶ ACR, p. 29.

²⁷ SCE Testimony, p. 91.

2017. For example, the Commission could convene a working group as SCE recommends or hold a workshop to further explore the appropriate standard.

V. PROCEDURAL ISSUES

A. Category

ORA agrees with SCE that this proceeding should be categorized as ratesetting.

B. Need For Hearings

ORA agrees with SCE that the need for hearings will be in part based on parties' protests. ORA anticipates that hearings may be necessary to address the issues ORA has raised in this protest or to address other issues related to SCE's priority and standard review projects.

C. Proposed Schedule

SCE provided a proposed schedule in its Application, with significant dates including a Proposed Decision issued as early as July 2017. Because all three IOUs submitted TE applications, ORA recommends staggering the schedules to allow for effective and efficient review of each application. ORA, therefore, proposes an alternative schedule as set forth below. For the Commission's convenience, ORA has included its proposed schedule for each of the three IOUs to better demonstrate its staggered schedule.

Procedural Event	PG&E Proposed Date	SCE Proposed Date	SDG&E Proposed Date	ORA Proposed Date (PG&E)	ORA Proposed Date (SCE)	ORA Proposed Date (SDG&E)
Application Filed	1/20/2017	1/20/2017	1/20/2017	1/20/2017	1/20/2017	1/20/2017
Protests Due	2/20/2017	30 days from notice of filing	2/20/2017	3/6/2017	3/6/2017	3/6/2017
Reply to Protests	3/2/2017	10 days from filing of protest	3/2/2017	3/13/2017	3/13/2017	3/13/2017
Prehearing Conference	3/9/2017	3/10/2017	3/10/2017	3/16/2017	3/16/2017	3/16/2017
Public Participation Hearing	N/A*	N/A*	N/A*	(April 2017)	(April 2017)	(April 2017)
Scoping Memo	3/23/2017		3/24/2017	(April 2017)	(April 2017)	(April 2017)
Intervenor Testimony	5/5/2017	4/21/2017		see below	see below	see below
Rebuttal Testimony	6/5/2017	6/2/2017				
Evidentiary Hearings	June 19-22, 2017					
Concurrent Opening Briefs	6/29/2017					
Concurrent Reply Briefs	7/20/2017					
Proposed Decision	9/8/2017					
Final Decision	Oct. 2017					
Phase 1 - Intervenor Testimony				(June 1, 2017)	(May 3, 2017)	(June 13, 2017)
Phase 1 - Rebuttal Testimony				(June 15, 2017)	(May 18, 2017)	(June 27, 2017)
Phase 1 - Evidentiary Hearings				Beginning June 27, 2017	Beginning June 7, 2017	Beginning July 13, 2017
Phase 1 - Concurrent Opening Briefs				(July 12, 2017)	(June 21, 2017)	(Aug. 2, 2017)
Phase 1 - Concurrent Reply Briefs				(July 28, 2017)	(July 7, 2017)	(Aug. 16, 2017)
Phase 1 - Proposed Decision		Q3 2017	Q3 2017	Q3 2017	Q3 2017	Q3 2017
Phase 1 - Comments on PD		20 days from PD		20 days from PD	20 days from PD	20 days from PD
Phase 1 - Reply Comments on Proposed Decision		5 days from filing of comments		5 days from filing of comments	5 days from filing of comments	5 days from filing of comments
Phase 1 - Final Decision		Aug. 2017		Q4 2017	Q4 2017	Q4 2017
Phase 2 - Intervenor Testimony			Q4 2017	(Sept. 27, 2017)	(Sept. 1, 2017)	(Oct. 6, 2017)
Phase 2 - Rebuttal Testimony			Q4 2017	(Oct. 18, 2017)	(Sept. 19, 2017)	(Oct. 24, 2017)
Phase 2 - Evidentiary Hearings		June 26-30, 2017	Q1 2018	Beginning Nov. 1, 2017	Beginning Oct. 10, 2017	Beginning Nov. 29, 2017
Phase 2 - Concurrent Opening Briefs		7/21/2017	Q1 2018	(Nov. 22, 2017)	(Nov. 3, 2017)	(Dec. 7, 2017)
Phase 2 - Concurrent Reply Briefs		8/11/2017	Q1 2018	(Dec. 13, 2017)	(Nov. 21, 2017)	(Dec. 21, 2017)
Phase 2 - Proposed Decision		Oct. 2017	Q2 2018	Q1 2018	Q1 2018	Q2 2018
Phase 2 - Comments on PD		20 days from PD		20 days from PD	20 days from PD	20 days from PD
Phase 2 - Reply Comments on PD		5 days from filing of comments		5 days from filing of comments	5 days from filing of comments	5 days from filing of comments
Phase 2 - Final Decision		Nov. 2017		Q1 2018	Q1 2018	Q2 2018

D. Request For Public Participation Hearings

SCE's Application includes several proposed projects that target residential and commercial customers, and diverse transportation sectors, such as MD/HD vehicles, ports, and buses. SCE proposes to fund all projects with ratepayer funds. The breadth of

proposals included in SCE's Application and its proposed use of ratepayer funds will have potential impacts on significant numbers of ratepayers.

Recently enacted SB 512, Ch. 808, Stats. 2016, adopted a new Section 1711 to the California Public Utilities Code, which states:

Where feasible and appropriate, except for adjudication cases, before determining the scope of the proceeding, the commission shall seek the participation of those who are likely to be affected, including those who are likely to benefit from, and those who are potentially subject to, a decision in that proceeding. The commission shall demonstrate its efforts to comply with this section in the text of the initial scoping memo of the proceeding.²⁸

Accordingly, affected ratepayers, "particularly those who might or might not participate in these programs," should be provided adequate opportunity to participate in this proceeding and to comment on SCE's proposed projects that may impact them directly in terms of eligibility and/or in terms of their rates. ORA, therefore, requests that PPHs be held in SCE's service territory prior to the issuance of the scoping memo. ORA suggests that the details of how to comply with §1711(a) be discussed at the PHC. Additional PPHs may also be useful after the scoping memo but prior to submission of intervenor testimony and any applicant rebuttal testimony. These PPHs, if held, should be scheduled sufficiently before testimony is due to allow parties adequate time to incorporate any public comment into their testimony.

VI. CONCLUSION

ORA requests that:

1. The scope of this proceeding includes, but not be limited to, the issues identified in this Protest;
2. The Commission establish a reasonable schedule for this proceeding that includes adequate time for discovery, testimony preparation, and evidentiary hearings on the reasonableness and cost of proposed projects; and
3. This proceeding be categorized as ratesetting.

²⁸ SB 512 (Hill, 2016), Ch. 808, Stats. 2016; Pub. Util. Code § 1711(a).

Respectfully submitted,

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